

## Message Text

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ACTION NEA-10

INFO OCT-01 EA-07 IO-11 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 COME-00 TRSE-00 OMB-01 STR-04 FEA-01

OES-03 INT-05 CIEP-01 SAM-01 /098 W

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R 230645Z JAN 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6315

INFO AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

USINT BAGHDAD

USMISSION USUN NEW YORK

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E.O. 11652: N/A

TAGS: EAID, EINF, JA, SA, IR, IZ, EG

SUBJECT: VISIT TO MIDDLE EAST OF JAPANESE MITI MINISTER  
KOMOTO-ECONOMIC ASPECTS

REF: A. CAIRO 0690 (NOTAL) B. TEHRAN 0230 (NOTAL)

SUMMARY: KOMOTO VISIT TO FOUR MIDDLE EAST COUNTRIES RESULTED  
IN FORWARD MOVEMENT RE LARGE PROJECTS IN IRAN, SAUDI ARABIA,  
AND, PROBABLY IRAQ: REQUESTS FOR ADDITIONAL JAPANESE AID FROM  
IRAQ AND EGYPT, AND JAPANESE PROMISE OF ADDITIONAL 100 MILLION  
DOLLARS EXPORT CREDITS TO EGYPT; AND USEFUL FIRST SESSION OF  
JAPAN-SAUDI ARABIA JOINT COMMITTEE. JAPANESE ARE SATISFIED  
WITH RESULTS OF TRIP. END SUMMARY.

1. ON JAN. 20 AND 21 EMBOFF REVIEWED WITH FONOFF REPS  
(OGISHI, FIRST MIDDLE EAST DIV. AND KOJIMA, SECOND MIDDLE  
EAST DIV.) RESULTS OF INTERNATIONAL TRADE AND INDUSTRY  
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MINISTER KOMOTO'S RECENT TRIP TO FOUR MIDDLE EAST

COUNTRIES OF IRAN, IRAQ, EGYPT, AND SAUDI ARABIA. THEY PROVIDED THE FOLLOWING INFORMATION:

2. IRAN: A) BANDAR-SHAHPUR PETROCHEMICAL PROJECT. AGREEMENT WAS REACHED ON FINAL PENDING ISSUE RE FINANCING OF PROJECTN I.E., IRANIAN GUARANTEE FOR PORTION OF JAPANESE LOANS. PROJECT IS NOW EXPECTED TO PROCEED TO CONSTRUCTION STAGE. TOTAL LONG TERM PROJECT COST IS NOW ESTIMATED AT 550 BILLION YEN (1.8 BILLION DOLLARS AT 303 YEN/DOLLAR), OF WHICH JAPANESE SIDE WILL PROVIDE 300 BILLION YEN (ABOUT 1 BILLION DOLLARS). OF JAPANESE SHARE, 50 BILLION YEN WILL BE CAPITAL INVESTMENT BY JAPANESE COMPANIES; APPROX. 30 BILLION YEN WILL BE YEN LOAN FROM JAPAN EXIM BANK, GUARANTEED BY IRANIANS; APPROX. 36 BILLION YEN EXPORT CREDITS FROM JAPAN EXIM BANK, ALSO GUARANTEED BY IRANIANS; 60 BILLION YEN DIRECT LOAN BY JAPANESE SIDE; AND, APPROX. 120 BILLION YEN LOAN TO QTE ICDC UNQTE, JAPANESEICOMPANY FORMED FOR PROJECT. DETAILS OF ABOVE FINANCING REMAIN TO BE WORKED OUT.

B) EXPORT REFINERY: AGREEMENT WAS REACHED TO ESTABLISH GROUP OF EXPERTS WITH REPRESENTATIVES OF BOTH SIDES TO FURTHER DISCUSS PROJECT'S FEASIBILITY. FIRST MEETING OF GROUP IS TO BE HELD BY END OF MAY. JAPANESE INTENT IS TO DETERMINE HOW PROJECT MIGHT BE REALIZED, BUT OUTCOME OF UPCOMING STUDIES CANNOT BE PREDICTED.

C) BILATERAL TRADE: AGREEMENT WAS REACHED TO EXPAND ANNUAL TWO-WAY TRADE TO 15 BILLION DOLLAR LEVEL WITHIN FIVE YEARS. JAPANESE VIEW TARGET AS REALISTIC AND LIKELY TO BE MET.

D) NUCLEAR ENERGY: AGREEMENT WAS REACHED TO HOLD EXPERTS CONSULTATIONS ON COOPERATION IN THIS FIELD.

E) RAILWAYS: BOTH SIDES RECONFIRMED EARLIER AGREEMENT THAT JAPAN WOULD ASSIST IN DRAWING UP MASTER PLAN FOR LIMITED OFFICIAL USE

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IRANIAN RAILWAYS.

F) VISIT OF MINISTER ANSARY TO JAPAN: ANSARY IS EXPECTED TO VISIT JAPAN BUT DETAILS HAVE NOT BEEN WORKED OUT.

G) DIALOGUE: IRANIANS STRESSED DESIRABILITY OF CONTINUING DIALOGUE ON OIL.

3. IRAQ: A) JAPANESE FINANCIAL ASSISTANCE TO IRAQI PROJECTS: IRAQ SIDE PROPOSED JAPAN EXTEND AN ADDITIONAL ONE BILLION DOLLARS IN LOANS TO SUPPORT IRAQI PROJECTS, INCLUDING THE SIX PROJECTS NAMED IN JAPAN-IRAQ COOPERATION AGREEMENT AS WELL AS TWO NEW PROJECTS INVOLVING IRRIGATION AND ELECTRIC POWER. JAPANESE FIRM HAS ALREADY SIGNED CONTRACT FOR FERTILIZER PLANT PROJECT, ONE OF ORIGINAL SIX. IRAQ APPEARS INCLINED TO AWARD CONTRACTS FOR THREE REMAINING PROJECTS (LPG, PETROCHEMICALS, AND REFINERY) TO JAPANESE FIRMS, IN WHICH CASE THE UN-COMMITTED BALANCE OF JAPAN'S ORIGINAL ONE BILLION DOLLAR LOAN--ABOUT 700 MILLION DOLLARS--WOULD BE INADEQUATE. THUS THE REQUEST FOR AN ADDITIONAL LOAN. (KOJIMA DID NOT SAY HOW KOMOTO RESPONDED TO THE REQUEST, BUT REPORTEDLY IT IS TO BE QTE STUDIED UNQTE AND SOME ADDITIONAL MONEY IS LIKELY.)

B) OIL SALES TO JAPAN. AGREEMENT WAS REACHED THAT BOTH GOVERNMENTS WOULD FACILITATE CONCLUSION OF PRIVATE CONTRACTS FOR EXPORT OF IRAQI CRUDE OIL AND PRODUCTS TO JAPAN. ACTUAL PERFORMANCE TO DATE UNDER 1974 AGREEMENT HAS LAGGED FAR BEHIND RATE NECESSARY TO REACH AGREED TOTAL OF 90 MILLION TONS OF CRUDE AND PRODUCTS OVER 10 YEAR PERIOD. THE IRAQUIS REQUESTED JAPAN TO EXPAND ITS IMPORTS BEYOND AGREEDAMOUNT, BUT KOMOTO EXPLAINED PRESENT STATE OF JAPANESE ECONOMY AND OIL SUPPLY AND DEMANDPRECLUDED ANY SUCH COMMITMENT. PRICE WAS NOT MENTIONED; THIS IS TO BE LEFT TO COMPANIES CONCLUDING CONTRACTS.

4. EGYPT. A) JAPANESE FINANCIAL ASSISTANCE: KOMOTO EXPRESSED JAPANESE INTENT TO EXTEND A NEW JAPAN EXIM LIMITED OFFICIAL USE

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BANK CREDIT LINE OF 100 MILLION DOLLARS OVER THREE YEARS FOR PURCHASE OF JAPANESE GOODS. EGYPTIANS EXPRESSED APPRECIATION FOR THIS, AFTER WHICH THEY REQUESTED AN ADDITIONAL 200 MILLION DOLLARS IN LONG TERM, SOFT LOANS. KOMOTO TOOK NOTE OF THIS REQUEST.

B) INVESTMENT GUARANTEE AGREEMENT. A JAPANESE MISSION TO CAIRO IN DECEMBER 1975 DISCUSSED THIS MATTER IN DETAIL, BUT SOME QTE TECHNICAL UNQTE ISSUES REMAIN TO BE RESOLVED. BOTH SIDES AGREED TO TRY TO CONCLUDE THE AGREEMENT SOON.

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5. SAUDI ARABIA. A) CALL ON PRINCE FAHAD: KOMOTO  
PAID COURTESY CALL ON PRINCE FAHAD: KOMOTO  
PAID COURTESY CALL ON PRINCE GAHAD (1ST DEPUTY PM) WHO  
EXPRESSED SAG DESIRE TO PROMOTE FURTHER ECONOMIC AND  
TECHNICAL COOPERATION WITH JAPAN, NOTED HIGH CONFIDENCE  
HELD BY SAUDIS IN JAPANESE INDUSTRIAL TECHNIQUES AND  
KNOWHOW, AND SAID SAG PLACES HIGH PRIORITY ON SAUDI-  
JAPAN BILATERAL RELATIONSHIP WITHIN OVERALL SAUDI  
DIPLOMATIC EFFORT.

B) JOINT COMMITTEE MEETING: FIRST MEETING OF JAPAN-  
SAUDI JOINT COMMITTEE, HEADED BY KOMOTO AND SAG PLANNING  
MINISTER NAZER, MET IN RIYADH 13-14 JANUARY FOL-  
LOWING WORKING LEVEL PREPARATORY TALKS HELD 6,7, AND  
10 JANUARY. SAUDI SIDE EXPLAINED FIVE YEAR PLAN AND  
QUESTION WAS DISCUSSED HOW JAPAN MIGHT PROVIDE INDUSTRIAL  
AND TECHNICAL COOPERATION, ESPECIALLY IN SUPPORT OF  
IMPLEMENTATION OF FIVE YEAR PLAN. AGREEMENT WAS  
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REACHED TO ESTABLISH JOINT COMMITTEE SECRETARIAT AT RIYADH AT EARLIES POSSIBLE DATE, AND JAPANESE EXPRESSED INTENTION TO MAKE EVERY ENDEAVOR PURSUANT TO BILATERAL COOPERATION AGREEMENT TO COOPERATE IN IMPLEMENTATION OF PROJECTS TO WHICH SAG ATTACHES IMPORTANCE.

C) PROPOSED JOINT VENTURES. JOINT COMMITTEE DISCUSSED, E.G., SPONGE IRON JOINT VENTURE INVOLVING NEW JAPAN STEEL (SHIN NITETSU) AND PETROMIN, AND A PETROCHEMICAL PROJECT INVOLVING MITSUBISHI AND PETROMIN. AGREEMENT WAS REACHED THAT TALKS CONCERNING EACH PROJECT WOULD BE HELD SEPARATELY BY PARTIES CONCERNED IN SPRING OF THIS YEAR. JAPANESE VIEW IS THAT PROJECTS ARE TO BE IMPLEMENTED ON PRIVATE, COMPANY TO COMPANY BASIS, BUT SAG UNDERTOOK TO TAKE APPROXIMATE MEASURES TO FACILITATE PROJECTS AND JAPANESE SAID THEY WOULD STUDY ANY NECESSARY FACILITATIVE MEASURES WHICH MIGHT BE TAKEN WITHIN SCOPE OF BILATERAL COOPERATION AGREEMENT.

D) NAZER VISIT TO JAPAN. GOJ ANTICIPATES MINISTER NAZER WILL VISIT JAPAN DURING SPRING THIS YEAR.

6. POLITICAL MATTERS: KOJIMA NOTED THAT AS MITI MINISTER, KOMOTO NOT PREPARED TO DISCUSS MID EAST POLITICS IN DEPTH. EVEN SO, BOTH EGYPTIANS AND IRAQUIS CONVEYED TO KOMOTO THEIR GOVERNMENTS' APPRECIATION FOR STAND JAPAN HAS TAKEN ON MIDDLE EAST QUESTIONS. EGYPTIAN FONMIN FAHMY EXPLAINED GOE EFFORTS TO STABILIZE ME SITUATION AND ITS INTENT TO PLAY LEADERSHIP ROLE; HE ALSO REQUESTED FUTURE GOJ SUPPORT IN UN. (KOMOTO SAID HE WOULD CONVEY THIS REQUEST TO PM MIKI.) SAUDI PRINCE FAHAD EXPRESSED CONCERN RE MIDDLE EAST PROBLEMS INCLUDING PALISTINIAN QUESTION. (WE PLAN TO PROBE POLITICAL ASPECTS OF KOMOTO VISIT AS SOON AS RYOHEI MURATA, WHO ACCOMPANIED THE MITI MINISTER, RETURNS FROM UNSC DEBATE.)

7. OVERALL ASSESSMENT. JAPANESE ARE PLEASED WITH RESULTS OF TRIP. SEVERAL IRANIAN OFFICIALS EXPRESSED TO KOMOTO IRANIAN SATISFACTION WITH PRESENT STATE OF BILATERAL RELATIONSHIP. IRAQUIS EXPRESSED SATISFACTION LIMITED OFFICIAL USE

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RE FERTILIZER PROJECT AND HOPE THAT ADDITIONAL PROJECTS MIGHT BE REALIZED WITH JAPANESE HELP. EGYPT EXPRESSED APPRECIATION FOR JAPANESE AID. AND, SAUDIS SAID THEY REGARDED JOINT COMMITTEE MEETING AS USEFUL AND FRUITFUL AND EXPRESSED DESIRE THAT IN FUTURE JOINT COMMITTEE OR

A WORKING PARTY MEET AS FREQUENTLY AS POSSIBLE. ON  
BALANCE, JAPANESE REGARD TRIP AS VERY SUCCESSFUL AND A  
SOLID IF NOT SPECTACULAR ACCOMPLISHMENT.

8. BASED ON ABOVE BRIEFINGS, EMBASSY AGREES TRIP WAS  
SUCCESSFUL FROM JAPANESE STANDPOINT. THE TRIP ADDS  
EMPHASIS TO THE CONTINUING IMPORTANCE ATTACHED BY  
JAPAN TO ITS RELATIONS WITH MIDDLE EAST OIL PRODUCERS  
AND THEIR ALLIES AND THE SUBSTANTIAL MONETARY PRICE  
JAPANESE ARE WILLING TO PAY TO CEMENT THESE RELATIONS.  
(AT SAME TIME, OF COURSE, JAPANESE AID RESULTS IN  
INCREASED BUSINESS FOR JAPANESE EXPORTERS.) FINALLY,  
IT IS CLEAR THAT THE JAPANESE WILL ENJOY STRONG COM-  
PETITIVE COMMERCIAL POSITION IN AREA AS RESULT OF  
JAPANESE GOVERNMENT FINANCIAL OR OTHER SUPPORT TO  
JAPANESE FIRMS' PARTICIPATION IN MAJOR DEVELOPMENT  
PROJECTS.  
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## Message Attributes

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